

Statement of Senator John McCain
Senate Committee on Indian Affairs
Oversight Hearing on Lobbying Practices Involving Indian Tribes
September 29, 2004

Etched in the history of our great nation is a long and lamentable chapter about the exploitation of Native Americans. It began with the sale of Manhattan, and has continued ever since. Every kind of charlatan and every type of crook has deceived and exploited America's native sons and daughters. While these accounts of unscrupulous men are sadly familiar, the tale we hear today is not. What sets this tale apart, what makes it truly extraordinary, is the extent and degree of the apparent exploitation and deceit.

Earlier this year, *The Washington Post* reported that Jack Abramoff, an influential lobbyist, together with Michael Scanlon, a self-styled public relations executive and former Capitol Hill staffer, collected over \$45 million in three years from a handful of Indian tribes around the country. In the case of one tribe not the subject of today's hearing, the funds were allegedly paid from accounts reserved for tribal housing, education, and health care. That same tribe and another reportedly paid millions of dollars into an outfit called the American International Center, a self-proclaimed think tank run by two of Mr. Scanlon's beach buddies at Rehoboth Beach, one a yoga instructor, the other a lifeguard. Even in this town, where huge sums are routinely paid as the price of political access, the figures are astonishing. But, what the tribes actually received for such astronomical sums is mystifying.

In the seven months since the article ran, the Committee on Indian Affairs has worked with my staff on the Commerce Committee to examine the relationship between Mr. Abramoff and Mr. Scanlon, and their relationship with the Indian tribes they represented. I am pleased to report that we now have the cooperation of all of the tribes mentioned in *The Post* article along with others not mentioned. Even Chief Phillip Martin of the Mississippi Band of Choctaw Indians, who defended Mr. Abramoff at the outset of this investigation, wrote last month in a letter to Chairman Campbell and me that, "In light of information we have recently obtained from various sources, it now appears that our Tribe may in fact have been the victim of serious wrongdoing by Abramoff and Scanlon . . . Thus, despite my prior concerns, I appreciate your Committee's work on this matter."

I thank Chief Martin for his sentiments, and I extend my gratitude to all the tribes cooperating in this investigation. I am especially grateful to the Saginaw Chippewa Indian Tribe and the Agua Caliente Band of Cahuilla Indians, who are participating in today's hearing. Both tribes have cooperated with us since the beginning. I commend the tribes and their leaders for having the wisdom to understand that this investigation is not an attack on tribal sovereignty, for displaying the courage to cooperate in the face of their critics, and for having the perseverance to see this through until the bitter end.

We have also obtained and are grateful for the cooperation of Mr. Abramoff's former employer, Greenberg Traurig, which, like his former clients, may have been deceived by this vainglorious and once-powerful rainmaker.

Not surprisingly, we have not received the voluntary cooperation of Mr. Abramoff and Mr. Scanlon. We have had to subpoena documents from Mr. Abramoff and Mr. Scanlon. Even at this late date, their production of documents remains incomplete. And, I am told, Mr. Scanlon and his attorney have frustrated the Committee's attempts to serve Mr. Scanlon with a subpoena for this hearing. Last I had heard, Mr. Scanlon was dodging the U.S. Marshals attempting to serve him. I want Mr. Abramoff and Mr. Scanlon to know that their failure to cooperate in the face of compulsory process will not be tolerated and their attempt to slow roll this Committee will not be brooked. Once the Chairman has ruled on their outstanding objections, I will urge the Committee to pursue contempt, if their compliance with the subpoenas is not immediately forthcoming. The time for games has ended.

Despite Mr. Abramoff's and Mr. Scanlon's obstinance, the Committee has begun to unravel the complex and tangled web they wove. In the case of both tribes testifying today, the documents show that Jack Abramoff and Michael Scanlon systematically sought out impressionable tribal leaders and representatives, seduced them with promises of power and prestige, and helped them attain positions of power within their tribes. Once in power, their allies on the tribal council steered multi-million dollar contracts to Mr. Abramoff's lobbying firm and Mr. Scanlon's PR company.

Mr. Abramoff also directed the tribes to donate generously to a long list of political action committees and candidates, think tanks, and charities. As *The Washington Post* reported only yesterday, prominent among the charities was the

Capital Athletic Foundation, Mr. Abramoff's personal charitable foundation, which he primarily used to fund an all boys school he established. Mr. Abramoff and Mr. Scanlon did so, all the while privately deriding and maligning their clients.

Chairman Campbell described for us Mr. Abramoff's and Mr. Scanlon's interference in tribal elections and governance, and revealed the utter contempt these men held for their clients. But to truly understand this story, and appreciate the depth of their misconduct, we need to consider the interference and contempt against the backdrop of the huge fees these men connived from the tribes.

In addition to the \$150,000 to \$180,000 per month retainers the tribes paid to Mr. Abramoff for lobbying services, it was widely reported that, at Mr. Abramoff's direction, the tribes paid Mr. Scanlon over \$45 million for "grass roots activity". It was also widely publicized that unknown to the tribes, Mr. Abramoff received up to \$10 million of these funds from Mr. Scanlon. Financial records and internal e-mails reviewed by this Committee establish that those figures, while shocking, are inaccurate. The amounts paid to Mr. Scanlon, and the amounts he paid to Mr Abramoff, are much higher.

Mr. Abramoff's and Mr. Scanlon's accounting, bank, and tax records establish that, between 2001 and 2004, six tribes paid more than \$66 million to Michael Scanlon's company Capitol Campaign Strategies, which also did business as Scanlon Gould Public Affairs. The tribes include the Coushatta Tribe of Louisiana, the Mississippi Band of Choctaw Indians, the Saginaw Chippewa Indian Tribe of Michigan, the Agua Caliente Band of Cahuilla Indians, Tigua Indians of Ysleta del Sur Pueblo of El Paso, and the Pueblo Sandia Tribe of New Mexico.

Those same accounting, bank, and tax records clearly indicate that Capitol Campaign Strategies paid Jack Abramoff personally and Kaygold, a company owned and controlled by Mr. Abramoff, over \$21 million. The \$21million appears to be half of Capitol Campaign Strategies' profit from its Indian client revenue over three years.

Let me emphasize what the \$66 million figure does not include. The \$66 million does not include payments made by the tribes for lobbying services provided by Greenberg Traurig. The \$66 million does not include the substantial payments made by these tribes directly to other entities owned or managed by

Abramoff, such as the Capital Athletic Foundation. The \$66 million does not include the substantial political and dubious charitable contributions that the tribes made at Mr. Abramoff's direction. It is my hope that the Committee will address those payments at another time, in another hearing. The \$66 million only includes the payments by the tribes to Mr. Scanlon's Capitol Campaign Strategies. It is those sums that we focus on today.

The first question we need to ask is why: why did Mr. Scanlon pay Mr. Abramoff half of his profit. After all, in his interview with *The Post* reporter, Mr. Abramoff denied having any financial interest in Mr. Scanlon's companies. The answer is surprisingly simple: Mr. Abramoff and Mr. Scanlon were partners.

Their partnership apparently began over three years ago. In a June 18, 2001 e-mail to Mr. Abramoff, Mr. Scanlon set forth his vision: Mr. Abramoff would develop the client base, and Mr. Scanlon would serve them. In Mr. Scanlon's own words:

Bottom line: If you help me get CCS a client base of \$3 million a year, I will get the clients served, and the firm acquired at \$9 million. We can then split up the profits. What do you think?

Lest there be any doubt on this point, one year later, Mr. Abramoff extolled his partner's virtues in an e-mail. After Mr. Scanlon reported on the receipt of \$3 million from the Louisiana Coushatta for undisclosed services, Mr. Abramoff replied:

You are a great partner. What I love about our partnership is that, when one of us is down, the other is there. we're gonna make \$ for years together.

Scanlon was equal in his enthusiasm: "Amen! You got it boss - we have many years ahead!"

What's wrong with this relationship, some may ask? Possibly nothing, had it been disclosed to the tribes. But it never was. Jack Abramoff, the tribes' trusted lobbyist and advisor, instructed the tribes to hire Michael Scanlon for millions of dollars. But he never disclosed that he would receive about half the net proceeds from the multi-million dollar contracts. In fact, it appears he hid his partnership

with Mr. Scanlon from just about everyone.

In a March 15, 2002 e-mail, Mr. Abramoff writes to a close associate and confidant about his personal financial statement that “no one knows about the CCS stuff.” Indeed, they did not. Yet, Jack Abramoff owed the tribes he represented a duty, a duty to disclose his financial stake in the multi-million dollar contracts he was steering Michael Scanlon’s way. That he and Scanlon did not speak up was immoral, it was unethical, and, ultimately, it may have been illegal.

I know that Mr. Abramoff has attempted in the past to deny that he directed the tribes hire Mr. Scanlon. His e-mails tell another story.

In a December 2, 2002 e-mail, Mr. Abramoff wrote to Chris Petras, the former legislative director of the Saginaw Chippewa Tribe, about racino initiatives in Michigan

where is Scanlon on this? What is he doing? Have you guys pushed the button? We need to get him firing missiles. How do we move it faster? Please get the council focused on this as soon as you can. Every day we lose now is going to hurt.

Mr. Abramoff apparently copied or forwarded the e-mail to Mr. Scanlon, whose only reply was, “I love you.”

What did the tribes receive for the millions of dollars they paid Capitol Campaign Strategies? According to some tribes, not much. The Committee continues to investigate this issue. We do know, however, that Mr. Scanlon subcontracted out a substantial amount of work to what appear to be legitimate services providers. He did so at an unbelievably small fraction of what he charged the tribes, thus explaining the unconscionable amounts that he and Mr. Abramoff were able to put into their pockets.

A February 20, 2003 e-mail from Mr. Abramoff to his accountant last year sheds considerable light on how much money Jack Abramoff and Michael Scanlon pocketed. In that e-mail, Mr. Abramoff wrote:

I think I understand what he [Michael Scanlon] did. We received \$5M into CCS, from which (I guess - am I right?) DC requires a gross

receipts tax/franchise tax. He divided the \$5M into three piles: \$1M for actual expenses, and \$2M for each of us.

“\$2M for each of us.” That phrase alone explains why Mr. Abramoff so fervently pushed Mr. Scanlon’s services on the tribes. “\$2M for each of us” also explains what the tribes got – or did not get – for their money.

Many of you are probably wondering where those many millions of dollars went after falling into the pockets of Mr. Scanlon and Mr. Abramoff. According to the records reviewed by the Committee thus far, it appears Mr. Abramoff used his share to sustain his restaurant ventures Signatures and Stacks, and to finance Eshkol, the all boys school he established. Since the tribes stopped paying Mr. Scanlon, however, Mr. Abramoff has had to close Stacks and Eshkol. Meanwhile, Mr. Scanlon invested heavily in real estate and securities. At the end of the day, wherever the money went, it should be returned to the tribes, where it belongs.

The story does not end here, and I know that the hearing today will undoubtedly raise as many questions as it answers. To the aggrieved tribes and Native Americans generally I say: rest assured that this Committee’s investigation is far from over; together, we will get to the bottom of this; and, hopefully, in the end, our efforts will help other tribes avoid their own tragic tale in this shameful chapter of American history.